

DEPARTMENT OF TRANSPORTATION

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*Flex your power!
Be energy efficient!*

July 22, 2003

Governor Gray Davis
State of California
Sacramento, CA 95814

Dear Governor Davis:

In 2001, you vetoed AB 1419 (Aroner), legislation that would have transferred the Transbay Transit Terminal and certain nearby undeveloped parcels from the State to San Francisco for construction of a new regional transit facility, with no consideration provided to the State. The bill failed to protect the State's interests, as discussed in detail below. In vetoing the bill, you directed the Department to pursue administrative means of transferring the properties in order to allow the important transportation improvement to proceed, and at the same time addressing the State's interests. Today, we have executed this transfer. In accordance with this agreement, and pending certain conditions, the properties will be transferred to the Transbay Joint Powers Authority (Authority) and the City and County of San Francisco.

The administrative transfer is a significant improvement over the transfer approved by the Legislature, as noted below. First, AB 1419 created conflicts with timely delivery of the seismic retrofit of the West Approach to the San Francisco-Oakland Bay Bridge. We now have protections to insure that this vital safety project will not be delayed as a result of the transfer. AB 1419 would have required the State to perform the environmental cleanup of the property. Under our agreement, that responsibility is the Authority's, saving the State at least \$20 million. Under AB 1419, the State would have lost all lease revenue currently generated from the properties immediately. With our agreement, the State will continue to receive lease revenues even after the transfer is complete. By transferring the property, the State avoids costs of at least \$300 million that would be needed to bring the existing property up to code, seismic safety, and other requirements. Further, our agreement includes a reversionary clause that returns the property, or the cash equivalent, to the State in the event that the Authority is unable to meet its obligations. Funds from the sale of any excess property will go into an interest-bearing account, and can be used only for construction of a new terminal. All funds, including interest, will be returned to the State if the new terminal is not constructed. Successful completion of the project will

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represent a major improvement in regional and interregional transportation without any additional State investment required. The combination of these savings and benefits clearly exceed the revenues the state could theoretically gain through the sale of non-operating right-of-way property surrounding the terminal.

AB 812, which has been approved by the Legislature, is consistent with the agreement to transfer the Transbay Transit Terminal, and will allow the project to proceed.

In vetoing AB 1419, you expressed appropriate concerns for protecting the interests of California taxpayers. I am pleased that we have been able to address those concerns, and have executed a transfer that protects the State's interests, and allows this key transportation improvement to proceed.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Morales". The signature is fluid and cursive, with the first name "Jeff" and last name "Morales" clearly distinguishable.

JEFF MORALES
Director